Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

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PAGE 01 KATHMA 03324 140516Z

21
ACTION NEA-16

INFO OCT-01 ISO-00 EUR-25 AID-20 IGA-02 EB-11 COME-00

TRSE-00 CIAE-00 INR-11 NSAE-00 RSC-01 DRC-01 /088 W
---------- 061662
R 140233Z AUG 74
FM AMEMBASSY KATHMANDU
TO SECSTATE WASHDC 9184
INFO AMEMBASSY BERN

UNCLAS KATHMANDU 3324

E.O. 11652: N/A
TAGS: EAID, NP
SUBJECT: SWISS ROAD LOAN TO NEPAL

1. GON SIGNED AGREEMENT AUGUST 5 WITH SWISS GOVERNMENT UNDER WHICH SWISS WILL PROVIDE LOAN OF 15 MILLION SWISS FRANCS (ABOUT DOLS FIVE MILLION) FOR CONSTRUCTION OF ONE HUNDRED KILOMETERS GRAVEL ROAD RUNNING FROM LAMOSANGU INTO JIRI REGION. ROAD IS CONSIDERED BY SWISS AND NEPALESE GOVERNMENTS AS COMPONENT OF INTEGRATED HILL DEVELOPMENT PROJECT UNDERTAKEN BY SWISS AND NOT AS SEPARATE PROJECT.

2. LOAN CARRIES INTEREST RATE OF 0.75 PERCENT AND IS REPAYABLE IN 50 YEARS INCLUDING GRACE PERIOD OF TEN YEARS. GON IS TO CONTRIBUTE RS. 20 MILLION TO MEET PART OF LOCAL COSTS OF PROJECT.

3. UNDER SEPARATE PROVISION, PROCEEDS OF LOAN IN FORM OF INTEREST PAYABLE TO SWISS GOVERNMENT MAY BE REINVESTED LATER AS A GRANT FOR FURTHER DEVELOPMENT OF REGION TO BE SERVED BY THE ROAD. SWISS HAVE ALSO EXPRESSED WILLINGNESS TO CONDUCT FURTHER NEGOTIATIONS WITH GON IN CASE FUNDS PROVIDED FALL SHORT OF TOTAL FINANCIAL REQUIREMENTS OF PROJECT.

4. COMMENT: THIS IS FIRST SWISS LOAN TO NEPAL AS SWISS ASSISTANCE HAS PREVIOUSLY BEEN LIMITED TO TECHNICAL ASSISTANCE. FAVORABLE TERMS INCORPORATED IN THE LOAN AND FACT THAT ROAD IS WELL-PLANNED COMPONENT OF INTEGRATED SWISS APPROACH TO OVERALL DEVELOPMENT
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PAGE 02 KATHMA 03324 140516Z

IN JIRI AREA HAS RECEIVED EXTENSIVE PRESS COVERAGE AND HAS BEEN

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

COMMENTED ON FAVORABLY BY GON OFFICIALS. BOTH RISING NEPAL AND HIMALI BELA EDITORIALIZED THAT SWISS LOAN COULD SERVE AS MODEL FOR AGREEMENTS WITH OTHER DONORS; SUCH AS U.S., UK, WEST GERMANY AND JAPAN. IN THIS CONNECTION, FINANCE MINISTER BHEKH THAPA REFERRED TO LIBERAL TERMS OF SWISS LOAN IN RECENT CONVERSATION WITH AMBASSADOR DURING SOCIAL OCCASION IN WHICH THAPA CITED ADMINISTRATIVE PROBLEMS ASSOCIATED WITH USAID'S PROPOSED LOAN FOR SURKHET ROAD.
CARGO

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, FINANCIAL AGREEMENTS, LOANS, HIGHWAYS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KATHMA03324
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740222-1026
From: KATHMANDU
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740849/aaaabpna.tel
Line Count: 70
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 12 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 JUN 2002 by reddocgw>; APPROVED <23 JAN 2003 by izenbei0>
Review Markings:

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US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SWISS ROAD LOAN TO NEPAL
TAGS: EAID, EFIN, NP, SZ
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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